

Chart 2 shows expenditures by major type of eligibility. While low-income children comprised the largest share of eligibles (57 percent), they incurred only 20 percent of the total cost. In contrast, aged recipients accounted for 8 percent of the eligible persons, yet incurred 34 percent of the total cost.

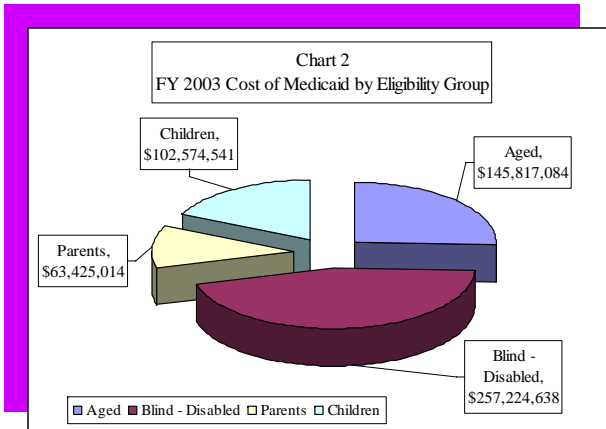
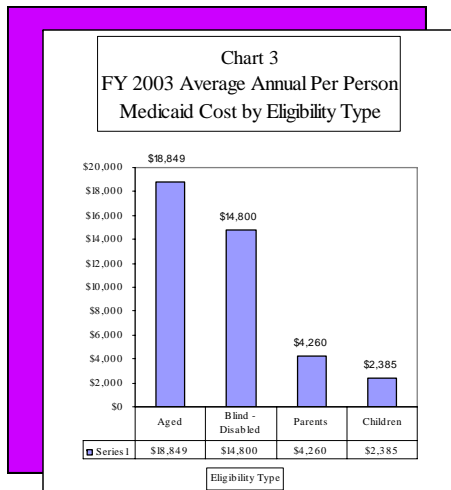


Chart 3 shows the average annual cost to provide services to one person by type of eligibility during FY 2003. The average cost to serve an aged recipient was about \$18,849 compared to the average cost to serve a low-income child of about \$2,385. As the Montana population ages, Medicaid costs could increase disproportionately, since elderly persons are the highest cost category.



Medicaid expenditures have grown from \$178.6 million in FY 1990 to \$569.0 million in FY 2003, rising at an annual compounded rate of 9.3 percent.

Medicaid costs have increased for several reasons. As with other health care programs, advances in technology and pharmaceuticals have fueled some of the increase. Provider rate increases authorized by the legislature have also contributed to cost growth. In the last two years, there has been an increase in the number of persons eligible for SSI due to recent court decisions.

State statute allows the department to set priorities to limit, reduce, or otherwise curtail the amount, scope, or duration of the medical services made available under the Montana Medicaid program, if available funds are not sufficient to provide



“In Montana, persons with countable incomes above the poverty level are not generally eligible for Medicaid. Able-bodied, healthy, childless adults are not eligible for Medicaid, regardless of income or assets.”



LFD Mission Statement

We are committed to enhancing the legislative process through understandable and objective fiscal policy analysis and information.

The Legislative Fiscal Division

Presents

FOCUS ON...

Medicaid



Sept. 2006

Fiscal Pocket Guide



“Medicaid is a federal/state program that pays for health care services for low-income aged, blind, or disabled persons, dependent and minor children, and some parents of dependent children.”



Primary Contact: Lois Steinbeck
Room 110, State Capitol
Helena, MT 59620-1711
(406) 444-5391
E-mail: lsteinbeck@mt.gov

What Is Medicaid?

Medicaid is a federal/state program that pays for health care services for low-income aged, blind, or disabled persons, dependent and minor children, and some parents of dependent chil-



Why Is Medicaid Important?

The Medicaid services appropriation for the 2007 biennium is \$1.5 billion total funds, which includes \$313 million general fund and \$85 million of state special revenue (tobacco taxes, tobacco settlement funds, hospital and nursing home bed utilization fees, and county funds for the nursing home intergovernmental transfer program). Funding for Medicaid services accounts for nearly 21 percent of all funds appropriated in the general appropriations act (House Bill 2) for the 2007 biennium.

Medicaid provides a significant source of funding for medical services in Montana. Between 10 to 12 percent of all Montanans are eligible for services each year and Medicaid funds over 40 percent of births statewide.

Federal Medicaid Criteria

All states administer a Medicaid program. Once a state opts to participate, it must abide by federal criteria since the federal government pays for a substantial portion of Medicaid costs.

Federal criteria establish certain mandatory services and categories of eligibility that a state must include in its state Medicaid plan and optional services and eligibility that a state can add at its discretion. Examples of mandatory services are inpatient hospital, physician, nursing home and well child services. Optional services include pharmacy, most mental health services, and outpatient therapies. Some optional services may substitute lower-cost care for or prevent placement in more

expensive mandatory services. There are also certain programmatic criteria that a state must meet if it administers a Medicaid program.

Several basic criteria are:

- Services must be available statewide
- There must be freedom of choice among providers
- Rate levels must be adequate to provide a sufficient number of providers
- Services must be medically necessary
- Copayments are subject to federal limits
- Once a person meets eligibility criteria, he or she is entitled to receive services

State Medicaid Cost Share

States must share in the cost of Medicaid. Administrative costs (staff, rent, operating) are usually shared equally between state and federal governments. The state share of services costs is based on state per capita income compared to national per capita income. Recently, the Montana share of Medicaid service costs has been about 30 percent. A 1 percent change in the federal match rate causes a \$7 million change in state funding.

Who is Eligible for Medicaid?



There are over 35 types of Medicaid eligibility. This summary highlights two broad types of eligibility:

1) Supplemental Security Income (SSI) for aged, blind, or disabled; and 2) minor and dependent children and some parents. Able-bodied, healthy, childless adults are not eligible for Medicaid, regardless of income or assets.

The federal government establishes asset limits at \$2,000 for an individual and \$3,000 for a couple seeking to establish eligibility for a monthly SSI payment (and automatic Medicaid eligibility). Examples of assets are savings and checking accounts, promissory notes, trusts, stocks, and bonds. States may waive or disregard assets tests for other Medicaid eligibility categories, and although Montana imposes assets tests, most states do not.

The 2005 Legislature raised the family asset limit for children's Medicaid eligibility to \$15,000.

The federal government also establishes income limits for Medicaid eligibility, which vary by type of eligibility. States may disregard income above the federal limit, thereby increasing financial eligibility, but Montana does not do so.

Income limits are based on the federal poverty index, which is updated annually. The 2006 federal poverty level for a family of four is \$20,100 a year.

In Montana, persons with countable incomes above the poverty level are not generally eligible for Medicaid. Pregnant women with incomes up to 133 percent of the poverty level and children in families with incomes up to 100 percent of the poverty level are the exceptions. Parents of low-income children are eligible only if family income is below 40 percent of the federal poverty level (about \$8,000 annually in 2006).

The Montana Medicaid Program Eligibility and Service Cost

Chart 1 shows the total number of persons eligible for services by major type of eligibility in FY 2003.

